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BEAVER LUMBER COMPANY LIMITED

1966
ANNUAL REPORT



BEAVER LUMBER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

HIGHLIGHTS

	1966	1965
Sales.....	\$59,532,574	\$54,623,286
Earnings before income taxes.....	5,616,478	4,567,782
Income taxes.....	2,845,485	2,281,334
Net earnings.....	2,770,993	2,286,448
Per common share.....	\$ 3.38	\$ 2.75
Dividends.....	1,376,569	1,380,231
Preferred—per share.....	\$ 1.40	\$ 1.40
Class A.....	1.00	1.00
Common.....	1.60	1.60
Working capital.....	15,137,944	13,623,785
Retained earnings.....	21,918,157	20,196,955
Number of common shareholders.....	1,263	1,231

NEW STORE AND WAREHOUSE, ESTERHAZY, SASK.



BEAVER LUMBER

COMPANY LIMITED

Directors

R. J. GOURLEY, <i>Winnipeg</i>	K. C. KENNEDY, <i>Winnipeg</i>
C. M. WILLOUGHBY, <i>Regina</i>	C. G. SMITH, <i>Winnipeg</i>
J. E. WOODS, <i>Winnipeg</i>	J. H. HARMAN, <i>Victoria</i>
H. B. GOURLEY, <i>Winnipeg</i>	T. O. PETERSON, <i>Winnipeg</i>
J. HARRIS, <i>Winnipeg</i>	D. S. PATERSON, <i>Winnipeg</i>

Officers

R. J. GOURLEY, *Chairman of the Board*
 K. C. KENNEDY, *President*
 K. A. MITCHELL, *General Manager*
 W. T. CUMMINGS, *Secretary-Treasurer*

Division Managers

ONTARIO: J. W. DUPRAS, *Clarkson*
 MANITOBA: T. LEONARD, *Winnipeg*
 SASKATCHEWAN: A. F. STYLES, *Regina*
 ALBERTA: A. G. GEMMELL, *Edmonton*
 BRITISH COLUMBIA: J. S. WATSON, *North Surrey*

Registrar and Transfer Agent

MONTREAL TRUST COMPANY, *Toronto, Winnipeg and
Vancouver*

Head Office

120 Fort Street, *Winnipeg, Canada*

NEW STORE AND WAREHOUSES, PRINCE GEORGE, B.C.



DIRECTORS' REPORT

TO THE SHAREHOLDERS

We are pleased to report that in 1966, the 60th Anniversary of the Company, sales and earnings were the highest in the Company's history. As shown in the annual consolidated financial statements presented herewith, sales increased 9% and net earnings increased 21% over the previous year.

This improvement in year-end results is attributable to the combination of higher sales, improved gross profit margins, and maintenance of the expense-to-sales ratio of previous years.

Expense, however, increased by 9.6%. Wages, salaries, and employee benefits account for the major portion of the increase.

Generally favorable conditions prevailed in our marketing area throughout the year. Although the scarcity and cost of mortgage money did cause the postponement of some building plans, we were successful in obtaining financing for the majority of our customers.

The shortage of skilled labor in the rural areas continues to curtail custom building. As a consequence, there is an acceleration of the trend to prefabrication, which is reflected in the satisfactory increase in our sales of manufactured homes.

Accounts receivable are up \$1,075,000 from a year ago, but in relation to sales volume are in line with the levels of recent years. Adequate provision has been made for accounts considered doubtful and those known to be bad have been written off. Our customers are retiring their obligations with customary promptness.

Inventories of merchandise are \$730,000 higher than at the previous year end. The increase results from additional quantities rather than higher prices.

Capital expenditures in 1966 were less than in the preceding year, due to a reduction in the number of new outlets acquired. Stores were opened in Fernie, B.C., and Deep River, Ontario. Our first Cash & Carry outlet was established at Tillsonburg, Ontario.

Significant changes in the distribution of population are creating new opportunities for Company expansion that will require increased investment in marketing facilities this year and in future years.

The net earnings of Beaver Lumber Acceptance Corporation Limited at \$118,000 are little changed from last year. Finance contracts increased \$514,000 and home

mortgages are reduced by \$665,000. The allowance for possible losses is considered adequate.

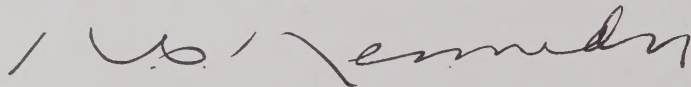
A total of 4,526 preferred shares, including 1,706 shares held by a subsidiary company at December 31st 1965, has been purchased for cancellation. The par value of the shares purchased, \$90,520, has been designated as capital surplus pending formal application for approval of the reduction of capital.

The profit on disposal of land and buildings, credited to retained earnings, is due in large part to the sale of our Islington property to Metro Toronto for use by the transit system. The Company will open a new branch on the north side of Toronto in the current year.

On December 31st, Mr. H. B. Gourley, Vice-President, retired after forty years with the Company. Your Directors wish to record appreciation for his long and valued service.

We gratefully acknowledge the contribution of all the people in the employ of this Company whose efforts have resulted in the progress recorded here.

Respectfully submitted on behalf of the Board,



President.

Winnipeg, March 22, 1967

NEW STORE FRONT, PETERBOROUGH, ONT.



BEAVER LUMBER COMPANY LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1966

	1966	1965
SALES.....	\$59,532,574	\$54,623,286
EARNINGS FROM OPERATIONS—before the undernoted items..	\$ 6,350,548	\$ 5,261,012
Depreciation.....	776,860	746,454
Directors' fees and salaries of officers who are directors.....	92,000	91,000
	868,860	837,454
	5,481,688	4,423,558
Net earnings—Beaver Lumber Acceptance Corporation Limited (Note 1).....	118,156	120,098
Income from other investments.....	16,634	24,126
EARNINGS BEFORE INCOME TAXES.....	5,616,478	4,567,782
Income taxes.....	2,845,485	2,281,334
NET EARNINGS.....	\$ 2,770,993	\$ 2,286,448

The accompanying notes are an integral part of the financial statements.

BEAVER LUMBER

CONSOLIDATED

AS AT DECEMBER 31

ASSETS

CURRENT ASSETS:

	1966	1965
Accounts receivable, less allowance for doubtful accounts.....	\$ 7,235,923	\$ 6,157,675
Agreements receivable.....	460,386	398,364
Merchandise inventories at the lower of cost or replacement cost	13,081,313	12,351,925
Insurance deposits.....	69,355	69,807
Total current assets.....	<u>20,846,977</u>	<u>18,977,771</u>

SPECIAL REFUNDABLE TAX.....	<u>116,452</u>	<u>—</u>
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INVESTMENTS:

Shares in and advances to wholly-owned finance company— at equity value (Note 1).....	1,979,785	1,786,629
Shares in other companies—at cost.....	23,206	23,206
	<u>2,002,991</u>	<u>1,809,835</u>

FIXED ASSETS:

Land, buildings and equipment—at cost.....	17,047,829	16,579,583
Less accumulated depreciation.....	10,080,729	9,544,038
Net fixed assets.....	<u>6,967,100</u>	<u>7,035,545</u>

Approved by the Board:

K. C. KENNEDY, Director

JOSEPH HARRIS, Director

TOTAL.....	<u>\$29,933,520</u>	<u>\$27,823,151</u>
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The accompanying notes are an integral part of these financial statements.

COMPANY LIMITED

BALANCE SHEET

IBER 31, 1966

LIABILITIES

CURRENT LIABILITIES:

	1966	1965
Bank indebtedness.....	\$ 1,906,465	\$ 2,346,327
Notes payable.....	—	750,000
Accounts payable.....	1,918,658	1,090,252
Income and other taxes payable.....	1,540,022	822,096
Dividends payable.....	343,888	345,311
Total current liabilities.....	5,709,033	5,353,986

CONTINGENT LIABILITIES—(Note 2)

SHAREHOLDERS' EQUITY

Capital stock:

Authorized:

Preferred cumulative redeemable \$1.40 series—
59,979 shares of a par value of \$20.00 each.

Class A—100,000 shares of no par value, cumulative dividend
of \$1.00 per annum.

Common—1,000,000 shares of no par value.

Issued and fully paid:

	Shares			
	1966	1965		
Preferred (less purchased for cancellation).....	30,453	33,273	609,060	665,460
Class A.....	78,369	78,369	1,606,750	1,606,750
Common.....	783,690	783,690		
			2,215,810	2,272,210
Capital surplus arising from purchase for cancellation of preferred shares.....			90,520	—
Retained earnings (Note 3).....			21,918,157	20,196,955
			22,008,677	20,196,955
Total shareholders' equity.....			24,224,487	22,469,165
TOTAL.....			\$29,933,520	\$27,823,151

BEAVER LUMBER COMPANY LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1966

BALANCE DECEMBER 31, 1965.....		\$20,196,955
ADD:		
Net earnings.....	\$2,770,993	
Profit on disposal of land and buildings.....	436,817	
		<u>3,207,810</u>
		23,404,765
DEDUCT:		
Dividends:		
Preferred.....	\$ 44,296	
Class A.....	78,369	
Common.....	1,253,904	
	<u>1,376,569</u>	
Premium on preferred shares purchased for cancellation.....	19,519	
Designated as capital surplus.....	90,520	
		<u>1,486,608</u>
BALANCE DECEMBER 31, 1966.....		<u><u>\$21,918,157</u></u>

The accompanying notes are an integral part of the financial statements.

RELOCATABLE PANELOC SCHOOL BUILDINGS, LONDON, ONT.



CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1966

	1966	1965
SOURCE OF FUNDS:		
Net earnings.....	\$ 2,770,993	\$ 2,286,448
Provision for depreciation.....	776,860	746,454
	3,547,853	3,032,902
Disposal of fixed assets.....	673,794	467,807
Decrease in investment in wholly-owned finance company.....	—	378,602
	4,221,647	3,879,311
APPLICATION OF FUNDS:		
Additions to fixed assets.....	945,392	1,368,819
Dividends paid.....	1,376,569	1,380,231
Preferred shares purchased for cancellation.....	75,919	40,125
Increase in investment in wholly-owned finance company.....	193,156	—
Special refundable tax.....	116,452	—
Miscellaneous.....	—	8,824
	2,707,488	2,797,999
INCREASE IN WORKING CAPITAL.....	1,514,159	1,081,312
WORKING CAPITAL AT BEGINNING OF THE YEAR.....	13,623,785	12,542,473
WORKING CAPITAL AT END OF THE YEAR.....	\$15,137,944	\$13,623,785

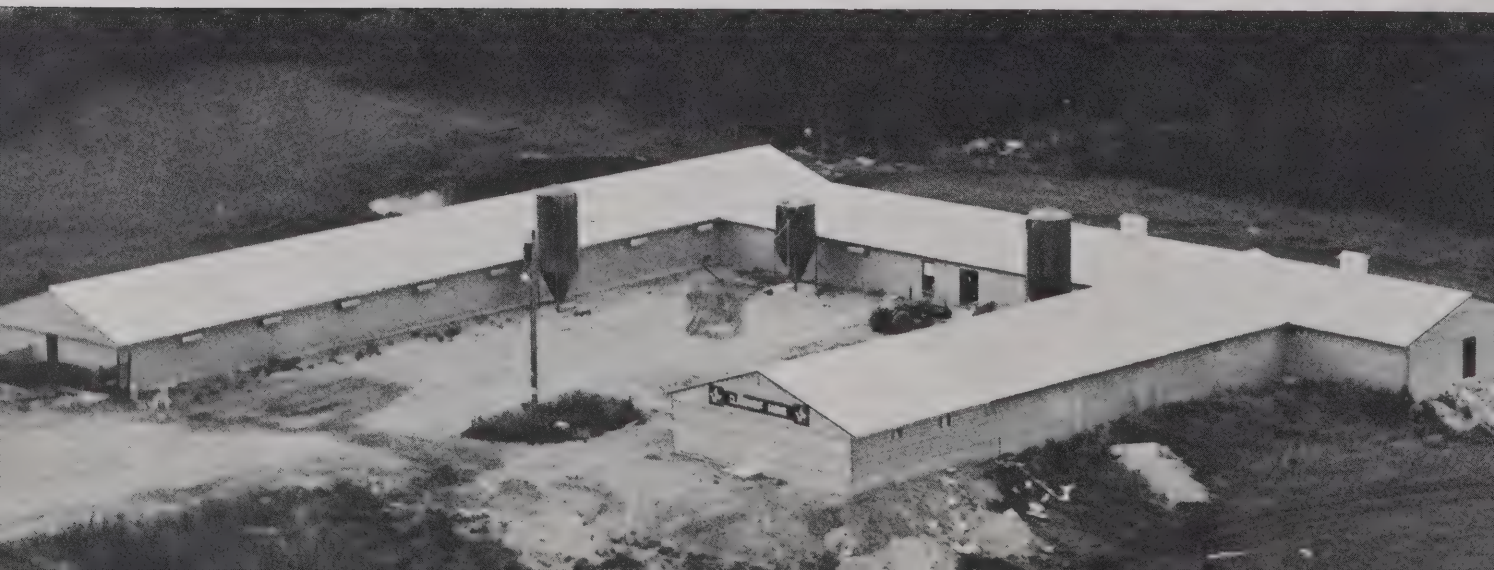
The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1966

1. The consolidated financial statements include the accounts of all subsidiary companies with the exception of the wholly-owned finance company, Beaver Lumber Acceptance Corporation Limited. The nature of the business of this subsidiary is different from the operations of the parent company and other subsidiaries. A statement of the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1966 is appended hereto. The investment in the wholly-owned finance company, including advances 1966 \$785,000, 1965 \$695,000, is shown on the consolidated balance sheet at equity value; its net earnings are included in the consolidated statement of earnings and its retained earnings are included in the consolidated statement of retained earnings.
2. The Company is contingently liable in the following amounts: customers' secured notes discounted, \$181,650; and the wholly-owned finance company's promissory notes payable, \$2,000,000.
3. Under the terms of the Company's guarantee of the finance company's promissory notes payable, the Company has covenanted that it will not declare or pay any dividends, other than stock dividends and \$1.40 series preferred dividends, or redeem any shares of its capital stock that in the aggregate will reduce the consolidated retained earnings below \$14,200,000.

FARM BUILDING SERVICE—HOG UNIT NEAR WHITBY, ONT.



AUDITORS' REPORT

TO THE SHAREHOLDERS

BEAVER LUMBER COMPANY LIMITED

We have examined the consolidated balance sheet of Beaver Lumber Company Limited and its consolidated subsidiary companies as at December 31, 1966 and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS,

Chartered Accountants.

Winnipeg, Manitoba
February 23, 1967

VIEW OF 1966 PLOWING MATCH TENT CITY

Our Exhibit of a Manufactured Home, Wood Stave Silo, and Machine Shed, in the centre.



BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED

STATEMENT OF ASSETS AND LIABILITIES

As at December 31, 1966

ASSETS:	1966	1965
Finance contracts receivable (Note 1).....	\$3,980,962	\$3,466,875
Mortgages receivable (Note 2).....	565,796	1,231,022
Special refundable tax.....	4,240	—
Furniture and equipment—at cost less accumulated depreciation..	9,157	9,934
TOTAL	\$4,560,155	\$4,707,831
LIABILITIES:		
Bank loan—secured.....	\$ 353,000	\$1,719,000
Bank overdraft.....	145,572	129,007
Income taxes payable.....	38,249	43,150
Accounts payable and accrued charges.....	43,549	30,045
	580,370	1,921,202
Promissory notes payable (Note 3).....	2,000,000	1,000,000
EQUITY OF BEAVER LUMBER COMPANY LIMITED and its subsidiary companies:		
Advances.....	785,000	695,000
Share capital.....	300,006	300,006
Retained earnings.....	894,779	791,623
	1,979,785	1,786,629
TOTAL	\$4,560,155	\$4,707,831

Note 1. Finance contracts receivable are shown net after deducting unearned finance charges 1966 \$734,532, 1965 \$639,177, and allowance for doubtful accounts 1966 \$178,195, 1965 \$146,312, and include instalments due after twelve months amounting to \$1,977,000 at December 31, 1966 and \$1,675,000 at December 31, 1965.

Note 2. Mortgages receivable are shown net after deducting allowance for doubtful loans 1966 \$17,499, 1965 \$23,865.

Note 3. 5¼% promissory notes due 1985, principal repayable in equal annual instalments commencing 1976.

AUDITORS' REPORT TO THE SHAREHOLDERS OF BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED

We have examined the statement of assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1966. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statement presents fairly the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1966 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS,
Chartered Accountants.

Winnipeg, Manitoba
February 23, 1967

BEAVER LUMBER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

	Number of Branches
ONTARIO DIVISION:	
Beaver Lumber Company Limited.....	76
Beaver Lumber (Brantford) Limited.....	1
Beaver Lumber (Dunnville) Limited.....	1
Beaver Lumber (Quebec) Limited.....	3
Beaver Lumber (Trenton) Limited.....	1
	— 82
MANITOBA DIVISION:	
Beaver Lumber Company Limited.....	44
The Empire Sash & Door Company Limited.....	1
	— 45
SASKATCHEWAN DIVISION:	
Beaver Lumber Company Limited.....	72
ALBERTA DIVISION:	
Beaver Lumber Company Limited.....	68
BRITISH COLUMBIA DIVISION:	
Beaver Lumber Company Limited.....	11
Beaver Lumber Acceptance Corporation Limited.....	1
Total.....	279



